

TO: District, CESA, CCDEB, and 2r Charter School  
Special Education Fiscal Reporting Contacts

FROM: Daniel Bush  
School Finance Consultant, DPI School Financial Services

RE: Special Education Accounting and Reporting Changes

DATE: May 5, 2014

---

Dear Colleague,

It has been a busy winter and spring at DPI! We have had several good questions on tricky topics that led us to look at broad issues affecting LEAs across the state. Meanwhile, the Legislature expanded eligibility for state special education categorical aid. There are several changes coming with special education accounting and reporting and I thought it would be most helpful to communicate them in a single document to share among your staff. As always, I am available to provide any clarifications or answer any questions you might have—just email me at [daniel.bush@dpi.wi.gov](mailto:daniel.bush@dpi.wi.gov) or call me at 608-267-9212. Thank you for all that you do!

DB

---

#### **SPECIAL ED CONTRACT SUBS & AIDES ELIGIBLE FOR CATEGORICAL AID**

On April 8 the Governor signed 2013 Act 255 into law. This legislation allows LEAs to receive categorical aid for “substitute teaching and paraprofessional staffing services” contracted from public or private agencies. Contracted staff—including short- and long-term substitutes—must meet the same licensing requirements as employees. As with 2011 Act 105 (which made contracted OT, PT, and other services eligible for districts, CESAs, and CCDEBs) DPI is interpreting this act to allow these costs for independent (2r) charter schools as well.

Contracted, licensed special education substitute teachers and classroom aides are coded to WUFAR account 27E-436000-370-011. There is a pop-up dialog in the PI-1505-SE report on which eligible costs coded to this account are itemized that we will update for FY 2014. Contracted bus aides are coded to new WUFAR accounts 27E-2567xx-310-011. Bus aides are subject to the same licensure requirement as classroom aides (883 or other DPI license).

Act 255 takes effect for all eligible costs in the **current** (2013-14) school year. LEAs contracting privately for special education substitutes and aides should check that these personnel are properly licensed and recode their eligible costs accordingly.

---

## **AID ELIGIBILITY AND TRANSPORTATION GUIDANCE DOCUMENTS UPDATED**

Our documentation on categorical aid eligibility and specialized transportation has been updated. “Special Education and School-Age Parents Aid Eligibility” replaces the former “State Special Education Categorical Aid Eligible Costs” document. Most differences are of format and organization, but there are a few substantive changes:

- Explicitly states that the document, not the Fund 27 Matrix, defines eligible costs.
- Explicitly states that contracted instruction is coded to function 436000, while contracted support services are coded to their respective 200000-series functions.
- Defines eligible transportation costs. (The listing of specific eligible costs in the “Specialized Transportation Aid Eligibility and Funding” document has been removed.)
- Updates and expands the WUFAR project code definitions used in the PI-1505-SE.

The revised “Specialized Transportation Aid Eligibility and Funding” guidance discusses the eligibility requirements of specialized transportation services and provides detail on prior approvals and accounting.

Both documents have been posted at [http://sfs.dpi.wi.gov/sfs\\_specedn](http://sfs.dpi.wi.gov/sfs_specedn).

---

## **NEW FUND 27 MATRIX**

A new, completely revised version of the Fund 27 Matrix for FY 2015 has been posted at [http://sfs.dpi.wi.gov/sfs\\_wufar](http://sfs.dpi.wi.gov/sfs_wufar). It has been designed to remove a number of inappropriate accounts (e.g. part of a superintendent’s salary allocated to Fund 27, equipment for general instruction), harmonize with the IDEA claim software, and allow proper coding of Title I-funded extended learning time costs in priority schools.

The revised matrix will not take effect until July 1. Accounts will be updated on this fall’s PI-1504-SE budget report, but the PI-1505-SE annual report will not include account changes until next fall. (LEAs receiving Title I funds for extended learning time that need to code those costs to Fund 27 will use project 599 in their FY 2014 PI-1505-SE reports.)

Specific changes in the new Fund 27 Matrix are:

- Projects 317, 340, 517 restricted to allowable IDEA expenses
- Projects 141, 151, 836 added for Title I extended learning time
- Functions 110000, 120000, 131000 to 136000 and 139000, 140000, 171000, and 172000 restricted to salary, benefits, and employee travel
- Function 138000 replaced with detail functions, all but 138200 restricted to salary, benefits, and employee travel
- Function 230000 replaced with detail functions 231500 and 231700
- Functions 251000, 254100, 254500, 254620, 254900, and 258000 deleted
- Function 253000 replaced with detail functions 253300 and 253400
- Illogical objects removed from 256000 transportation functions

- Object 570 added to functions 256250 and 256750, allowed for project 011
- Function 260000 replaced with detail functions 262500, 263300, 264400, and 266000
- Function 418000 restricted to grant projects for districts; objects 390 and 800 added for CESAs
- Grant objects restricted to grant projects in function 491000

I want to extend my gratitude to all the school business professionals who gave me feedback throughout this process. Thank you so much!

---

## **MEDICAID ACCOUNTING GUIDANCE FINALIZED**

Since last fall I have been working with Rachel Zellmer and Kathy Guralski in IDEA Fiscal Monitoring on addressing various concerns about Medicaid. We have struggled with two key problems: First, how do we reconcile the inconsistent timing of payments with federal regulations that require us to exclude Medicaid for IDEA Maintenance of Effort? Second, how do we address the difficulty of tracking each dollar of revenue back to a dollar of expenditure, particularly with MAC, cost settlements, and reconciliations? Those of you who followed the Medicaid updates in the SFS listserv during late February and early March will have an idea how much trouble this has been to resolve.

The Medicaid document on our WUFAR Accounting Issues and Coding Examples Page at [http://sfs.dpi.wi.gov/sfs\\_wufaracct\\_code\\_ex](http://sfs.dpi.wi.gov/sfs_wufaracct_code_ex) has been updated with our final guidance on coding Medicaid revenues. Current year interim SBS claims and refunds are coded to Fund 27, while MAC and cost settlement payments, as well as prior year reconciliations, are coded to Fund 10. The only exception is that refunds of improper SBS claims from the previous year are still coded to Fund 27 (refunds from two years ago or older are Fund 10).

Our rule of thumb here is that if a district has some control of payment timing through claim submission, then the resulting revenue is Fund 27. We are aware that this is not entirely consistent with GAAP and the strict definition of Fund 27, but believe it represents the best compromise to minimize the unintended consequences of unpredictable payments.

The change is in effect for the current fiscal year and it is already having an impact. A large district contacted me around the time of the original SFS listserv item—they had just received a \$2 million check from DHS based on the 2005-06 reconciliations ForwardHealth had been doing all winter. The business manager was relieved to find out it wouldn't create an MOE headache!

---

## **TUITION AND SPECIAL EDUCATION**

Two years ago the U.S. Department of Education required DPI to begin excluding the flat rate portion of open enrollment from IDEA Maintenance of Effort determinations. Our auditing of this requirement has helped us discover the various ways that tuition is being defined, used, and coded throughout the state. This lack of consistency in how tuition is coded leads to different treatment of tuition in MOE between districts, depending on whether or how they distinguish it between Fund 10 and Fund 27.

State law defines a formula for calculating tuition based on a daily rate, but it also specifies a flat per-pupil rate for the open enrollment program. A federal consent order requires that special education tuition for open enrollment be based on the actual, additional costs of serving a pupil. Many districts use the flat open enrollment rate outside that program, some coding it to Fund 10 and some to Fund 27. State law also gives DPI the ability to specify alternative methods for determining tuition.

The new “Special Education Tuition” document available at [http://sfs.dpi.wi.gov/sfs\\_tuition](http://sfs.dpi.wi.gov/sfs_tuition) specifies the three approved methods for determining tuition for pupils with IEPs: the statutory daily rate, the open enrollment rate, and the actual cost of service. It also explains the accounting requirement that only the portion of tuition connected to the excess or additional cost of special education is coded to Fund 27—any base portion, including the flat open enrollment rate, is coded to Fund 10.

Finally, I encourage you to review the updated definitions of the tuition function and source codes in WUFAR Revision 22. They provide more clarity on the distinctions between base and special education tuition, open enrollment and other contracted instruction, and non-instructional services. Updated definitions are included for functions 431000, 435000, 436000, and 437000, and for sources 341, 345, 346, 347, and 349.

---

## **OTHER SPECIAL ED REPORT UPDATES**

This summer’s PI-1505-SE report for FY 2014 will include a number of updates to address legislative changes and improve reconciliation. These include:

- Modifying how ‘Act 221’ positions (social work, guidance, nurse, and psychologist) paid with your own or another LEA’s grant funds are recorded on the addenda.
- Removing the ED JOBS required account.
- Making 27R-000000-780-000 (Medicaid SBS revenues) a required account for independent (2r) charter schools.
- Adding substitutes and aides to the 27E-436000-370-011 popup.
- Adding project 019 accounts to the CESA/CCDEB Package Costs addendum.

This fall’s PI-1504-SE budget report for FY 2015 will incorporate the new Fund 27 matrix, as will next fall’s PI-1505-SE annual report for FY 2015.

We are also exploring how we can help users reconcile their IDEA revenues to expenditures reported under project 340. Kathy Guralski and I found numerous examples of final IDEA claims not matching total project 340 expenditures reported on the PI-1505-SE in our initial reviews. If you have any specific thoughts on this topic, please let Kathy ([kathryn.guralski@dpi.wi.gov](mailto:kathryn.guralski@dpi.wi.gov)) or me know.